

2004 STATEWIDE HOSPITAL FISCAL REPORT SUMMARY

I. Introduction

On an annual basis, each acute care hospital in Indiana identifies the expenses for annual operation and the inpatient and outpatient revenues for services to patients. The statistics are developed by the hospital and filed with the ISDH. The Indiana State Department of Health (ISDH) is required by Indiana Code 16-21-6-11 to publish this information to assist the consuming public in making fiscal comparisons between hospitals.

This report, focuses on financial status, and follows annual publication of the hospital service reports that focuses on discharges, patient days, total charges by service and outpatient visits.

This summary will include the key definitions and statewide totals for all key financial indicators (see Table A). This statewide report will summarize fiscal year 2004 results for 132 hospitals. Individual reports of each hospital are also displayed at this web site. This summary will then review key financial indicators for the past three years and between small, medium and large hospitals in Indiana (see Table B-I). The section will conclude with 12 performance standards incorporated into every report to provide comparisons between similar hospitals (See Table J).

TABLE A
STATEWIDE HOSPITAL FISCAL SUMMARY

STATEMENT ONE: SUMMARY OF REVENUE AND EXPENSES
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Each fiscal year, each hospital must account for the revenue it earned, the expenses it spent, and the deficit and surplus of funds in the past twelve-month period. This section, statement of revenue and expenses, will provide the definition of terms, and summarize the 2004 statewide total for 132 hospitals in Indiana.

1. Gross Patient Service Revenue

TERM	DEFINITION ¹	2004 STATEWIDE TOTAL ²	PERCENT OF SUBTOTAL
INPATIENT SERVICE REVENUE	The total billed value of inpatient services including the value of routine services and ancillary services provided to inpatients.	\$12,401.9	53.9%
OUTPATIENT SERVICE REVENUE	The total billed value of outpatient services.	\$10,626.8	46.1%
TOTAL GROSS PATIENT SERVICE REVENUE	The total inpatient and outpatient revenue from services.	\$23,028.7	100.0%

* Data in millions (\$000,000)

2. Deductions from Revenue

TERM	DEFINITION	2004 TOTAL	% of Total
CONTRACTUAL ALLOWANCES	The difference between charges at established rates and the amounts realizable from third party payers under contractual agreements.	\$9,939.9	91.3%
OTHER DEDUCTIONS	The deductions including charity care and excluding contractual allowances.	\$940.0	8.7%
TOTAL DEDUCTIONS		\$10,879.9	100.0%

3. Total Operating Revenue

TERM	DEFINITION	2004 TOTAL	% of Total
NET PATIENT SERVICE REVENUE	The gross patient service revenue less deductions for contractual allowances and other deductions.	\$12,148.5	94.8%
OTHER OPERATING REVENUE	Incoming revenue not generated by patient services.	\$668.3	5.2%
TOTAL OPERATING REVENUE		\$12,816.8	100.0%

4. Operating Expenses

TERM	DEFINITION	2004 TOTAL	% of Total
SALARIES AND WAGES	The total payment at regular intervals for work or services of employees.	\$4,515.2	37.4%
EMPLOYEE BENEFITS	Fringe benefits in addition to salary. Fringe benefits include FICA taxes, pension plans, health and life insurance, unemployment taxes and worker compensation.	\$1,185.9	9.8%
DEPRECIATION/AMORTIZATION	Portion of tangible and intangible operating assets charged as an expense each fiscal year.	\$694.7	5.8%
INTEREST	The cost incurred for borrowing money. These costs are only for the value of funds received for loans given to the entity.	\$189.8	1.6%
BAD DEBT	The services rendered for which payment is anticipated and credit is extended to a patient. Expenses are estimated and recognized when providing an allowance for such amounts to be written off at the time that the accounts are deemed uncollectable.	\$652.1	5.4%
OTHER EXPENSES	Other outgoing dollars	\$4,827.7	40.0%
TOTAL EXPENSES		\$12,065.4	100.0%

* Data in millions (\$000,000)

5. Net Revenue and Expenses

TERM	DEFINITION	2004 TOTAL	% of Total
NET OPERATING REVENUE OVER EXPENSES	The deficit or surplus of funds gained when one subtracts the total operating expenses from the total operating revenue.	\$751.8	78.3 %
NET NonOPERATING GAINS OVER LOSSES	Same calculation for non-operating funds	\$207.8	21.7%
NET GAIN/LOSS		\$959.6	100.0%

6. Assets and Liabilities

TERM	DEFINITION	2004 TOTAL	% of Total
TOTAL ASSETS	All of the property, accounts receivable, cash, etc. of the hospital.	\$15,677.8	100.0%
TOTAL LIABILITIES	Sum of current liabilities, deferred credit, net long-term debt, and inter-company indebtedness.	\$8,263.1	100.0%

STATEMENT TWO: CONTRACTUAL ALLOWANCES BY PAYER GROUP

This section, Statement of Contractual Allowances by Payer Group, provides the difference between the revenue at established rates and the amount realizable from third party payers under contractual agreements.

TERM	DEFINITION "Gross Revenue minus contractual allowances ..."	2004 TOTAL	% of Total
MEDICARE	From federal Title 18.	\$3,847.5	30.9%
MEDICAID	From state/federal Title 19.	\$859.9	6.4%
OTHER GOVERNMENT	From local and state government sources other than Medicaid.	\$347.1	2.8%
COMMERCIAL INSURANCE	From all other payers including health maintenance organizations and commercial insurance plans.	\$7,389.1	59.3%
TOTAL ALLOWANCES		\$12,443.6	100.0%

STATEMENT THREE: UNIQUE HOSPITAL SERVICE OR FINANCIAL CATEGORY

This section, Statement of Unique Services or Finances, provides four unique sources of incoming revenue and outgoing expenses in the areas of donations, education, medical research, and grants.

TERM	DEFINITION	2004 TOTAL NET GAIN OR LOSS	% of Gross Patient Revenue
DONATION	Difference between incoming gifts from outside organizations and outgoing gifts (including cash) to organizations outside the hospital's corporate structure.	(\$3.1)	>0.1%
EDUCATION	Total net gain or loss from training medical professionals, educating inpatients, and educating the general public.	(\$127.9)	0.2%

* Data in millions (\$000,000)

RESEARCH	Net gain or loss between incoming revenues and outgoing expenses needed to provide research	(\$4.5)	> 0.1%
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	services. Revenues include state or federal dollars given to the hospital for conducting scientific inquiry. Expenses include the cost of facilities, staffing, and equipment.		
HOSPITAL BIOTERRORISM GRANT FUNDINGS	FISCAL YEAR 2004 Grant Funding to Indiana Acute Care Hospitals from ISDH under federal Hospital Bioterrorism grants. All funding was expended during the fiscal year.	\$8.9	>0.3%
NUMBER OF INDIVIDUALS EDUCATED	Estimate of the total number of medical professionals (physicians, nurses, technicians and other medical professionals), hospital patients, and number of citizens exposed to health-education messages.	15.1	NA

STATEMENT FOUR: COST OF CHARITY AND SUBSIDIZED COMMUNITY BENEFITS

The final statement provides an estimate of the unreimbursed cost of hospitals in Indiana. The information is based on a 14-step methodology to calculate the charges by a hospital and compare that to the payments and cost adjustments by third party payers, community organizations, or individuals. The information is summarized for government and proprietary owners, and is expanded for nonprofit hospitals that must report additional information under the Charity Reporting Act (IC 16-21-9).

TERM	DEFINITION	2004 TOTAL	% of Total Net Patient Revenue
CHARITY CARE	The unreimbursed costs of providing, funding, and otherwise financially supporting health care services that never were expected to result in cash inflows and based on the hospital's adopted charity care policy to provide services free of charge to individuals who met the hospital's financial criteria.	(\$337,740,064)	2.6%
COMMUNITY BENEFITS	Total unreimbursed costs of providing care to patients unable to pay, to patients covered under government funded programs and for medical education training. Total also includes community health education, community programs and services, and other unreimbursed costs.	(\$107,604,464)	1.6%

* Data in millions (\$000,000)

II. SUMMARY OF REVENUE AND EXPENSES

In 2004, the average acute care hospital will receive \$97.1 million dollars in revenue (after deductions) as payment for services, and will spend \$91.4 million dollars to pay for salaries for hospital employees, interest payments, and other expenses.

In total, the 132 hospitals will receive \$12.8 billion dollars (after deductions) as payment for services and will spend \$12.1 billion dollars to pay for expenses (See Table B)³.

TABLE B
ANNUAL TOTAL REVENUE AND EXPENSES, 2004

FISCAL INDICATOR	
1. Total Gross Patient Service Revenue	\$23,028,777,047
2. Total Deductions from Revenue	\$10,879,983,323
3. Total Operating Revenue	\$12,816,877,520
4. Total Operating Expenses	\$12,065,419,988
5. Total Net Gains over Losses	\$959,567,971

A. Inpatient and Outpatient Revenue

In 2004, 53.8% of all gross patient revenue was for inpatient care and 46.2% was for outpatient care (see Table C and D)⁴.

TABLE C
INPATIENT GROSS REVENUE PER DISCHARGE, 2004

TYPE OF HOSPITAL	GROSS INPATIENT REVENUE *	NUMBER OF DISCHARGES	GROSS INPATIENT REVENUE PER DISCHARGE
Small Hospitals	\$564.5	57,984	\$9,736
Medium	\$3,169.4	234,285	\$13,528
Large Hospitals	\$7,887.3	419,587	\$18,799
Specialized Hosp	\$1,010.0	31,248	\$24,965
All Hospitals	\$12,631.2	743,104	\$16,689

* Data in millions (\$000,000)

TABLE D

OUTPATIENT GROSS REVENUE PER VISIT, 2004⁵

TYPE OF HOSPITAL	GROSS OUTPATIENT REVENUE*	NUMBER OF VISITS	GROSS OUTPATIENT REVENUE PER VISIT
Small Hospitals	\$1,103.1	1,354,282	\$814.50
Medium	\$3,654.9	3,737,422	\$977.91
Large Hospitals	\$5,701.1	4,818,029	\$1,183.3
Specialized Hosp.	\$167.7	146,604	\$1,439.2
All Hospitals	\$10,626.8	10,056,338	\$1,057.3

* Data in millions (\$000,000)

B. Revenue by Third Party Payer

Table E shows the distribution of total revenues by key third party payers. The table shows Indiana efforts to serve the population over 65 years of age under the Medicare program, and adjust to the annual reconciliation by the U.S. Congress. The table also shows the relative importance of health maintenance organizations and commercial insurance plans to serve all communities of Indiana (see Table E).

TABLE E
PERCENTAGE OF NET PATIENT SERVICE REVENUE
BY THIRD PARTY PAYER, 2004

THIRD PARTY PAYMENT	TYPE OF HOSPITAL	NET PATIENT SERVICE REVENUE*	ACCUMULATIVE % OF PATIENT SERVICE REVENUE
Medicare	Small	\$307.5	2.4%
	Medium	\$1,175.3	11.7%
	Large	\$2,110.3	28.4%
Other Government	Small	\$52.7	28.8%
	Medium	\$214.4	30.6%
	Large	\$627.3	35.5%
Commercial/Private HMO	Small	\$564.1	39.9%
	Medium	\$2,305.5	58.2%
	Large	\$4,293.1	92.2%
Other	Specialized	\$498.3	100.0%
All Payers		\$12,148.5	100.0%

• Data in millions (\$000,000)

C. Income Statements by Hospitals

(1) By Peer Groups

- Out of the 132 hospitals, roughly 30 percent of the hospitals were small hospitals (under 150 beds) and 18 percent of the hospitals were large (over 300 beds). These 132 hospitals were located in 72 of the 92 counties in Indiana.
- In contrast, seven percent (7%) of the gross patient service revenue was generated by small hospitals, and 59 percent of total gross patient service revenue was generated by large hospitals (see Figure One and Table F).

FIGURE ONE
PERCENT OF HOSPITALS AND GROSS PATIENT REVENUE
BY PEER GROUP, INDIANA, 2004

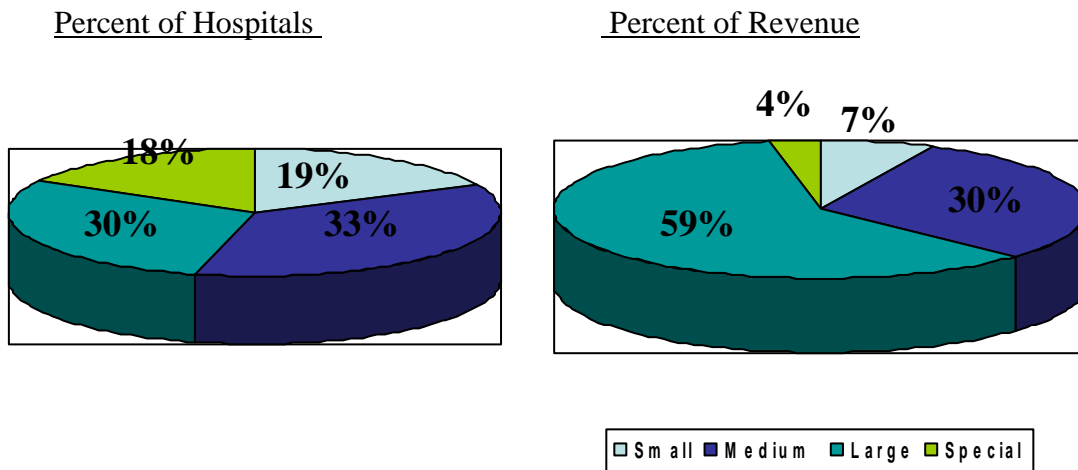


TABLE F
TOTAL EXPENDITURES, INDIANA,
SMALL, MEDIUM, AND LARGE HOSPITALS, 2004

FISCAL INDICATOR	Small Hospitals (Peer 1)	Medium Hospitals (Peer 2-3)	Large Hospitals (Peer 4-5)	Specialized Hospitals (Peer 7)
1. Total Gross Patient Service Revenue	\$1,667	\$6,824	\$13,589	\$948
2. Total Deductions from Revenue	\$687	\$3,026	\$6,067	\$427
3. Total Operating Revenue	\$980	\$3,484	\$6,932	\$333
4. Total Operating Expenses	\$939	\$3,561	\$7,107	\$458
5. Total Net Gains over Losses	\$41	\$237	\$415	\$63
6. No. of hospitals w neg operating margins	11	11	2	3

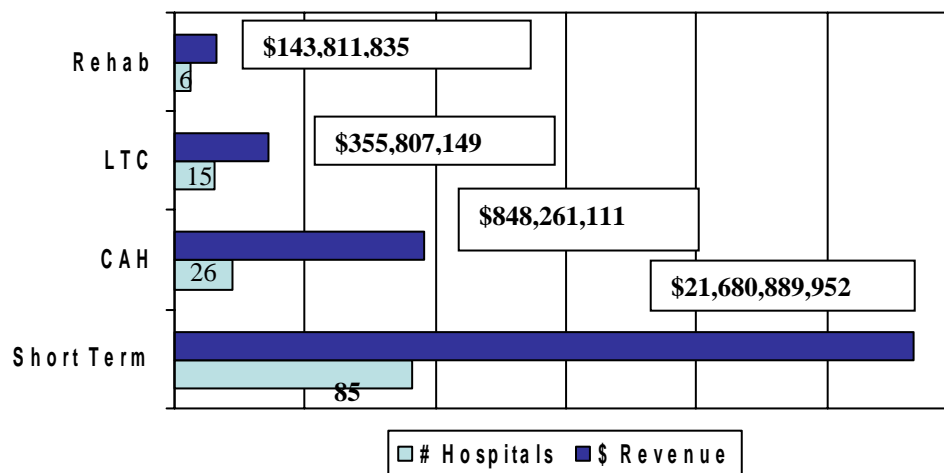
7. No. of Hospitals	40	43	24	25
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* Data in millions (\$000,000)

(2) By Type of Hospital

- 85 of the 132 hospitals, 64% of all hospitals, are organized to provide comprehensive *short term* general services. The other 36% of the hospitals offer specialized long-term-care acute service (15 hospitals), rehabilitation services (6 hospitals), or serve a rural community as a critical access hospital (26 hospitals)⁶.
- In contrast, 94% of the gross patient service revenue was generated by the short-term hospitals, and six percent (6%) of all other hospital types (see Figure Two).

FIGURE TWO
NUMBER OF HOSPITALS AND GROSS PATIENT SERVICE REVENUE
BY TYPE OF HOSPITAL, INDIANA, 2004



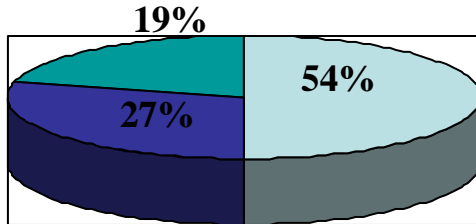
(3) Ownership of Hospitals

- By ownership of the hospital, there are three general categories: nonprofit, government-based, and proprietary ownership. Of the 132 hospitals, 50% were nonprofit (71 hospitals), 29% were government-based (35 hospitals) and 21% were proprietary (26 hospitals).
- In contrast, 72% of the gross patient service revenue was generated by nonprofits, 18% by government entities, and 10% by proprietary hospitals.

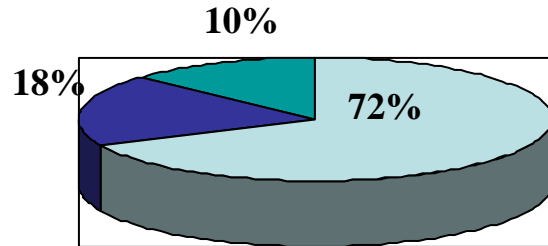
FIGURE THREE

PERCENT OF HOSPITALS AND GROSS PATIENT REVENUE
BY OWNERSHIP, INDIANA, 2004

PERCENT OF HOSPITALS



PERCENT OF REVENUE



Nonprofit
 Government
 Proprietary

TABLE G
TOTAL EXPENDITURES*, INDIANA
BY OWNERSHIP OF HOSPITALS, 2004

FISCAL INDICATOR	GOVERNMENT OWNERSHIP	NONPROFIT OWNERSHIP	PROPRIETARY OWNERSHIP
Total Gross Patient Service Revenue	\$4,100.7	\$16,565.1	\$2,362.9
Total Deductions from Revenue	\$1,692.3	\$7,334.6	\$815.0
Total Operating Revenue	\$2,408.4	\$9,230.5	\$1,177.9
Total Operating Expenses	\$2,300.2	\$8,767.4	\$997.9
Total Net Gains over Losses	\$108.2	\$463.1	\$180.0
Number of hospitals with neg. operating margins	7	15	5
No. of Hospitals	35	71	26

* Data in millions (\$000,000)

D. Three-Year Trend

During the last two years, there has been a ten percent increase in the total operating revenue of the hospitals, and an increase in the number of hospitals with negative operating margins (See Table H).

TABLE H
ANNUAL TOTAL EXPENDITURES*, INDIANA, 2001 – 2004
(Values shown in hundred thousands)

FISCAL INDICATOR	2002	2003	2004
1. Total Gross Patient Service Revenue	\$17,319.7	\$20,617.2	\$23,028.7
2. Total Deductions from Revenue	\$7,355.4	\$8,502.4	\$10,879.9
3. Total Operating Revenue	\$10,437.7	\$11,660.0	\$12,816.8
4. Total Operating Expenses	\$9,870.0	\$11,121.6	\$12,065.4
5. Total Net Gains over Losses	\$449.3	\$538.4	\$959.6
6. No. of hospitals w neg operating margins	26	27	27
7. No. of Hospitals	130	131	132

* Data in millions (\$000,000)

E. Three Year Margins

From a public perspective, the key concern must be to ensure access to hospitals for all citizens regardless of insurance plans, and to track hospitals that have experienced losses in receiving less revenue than expenses on annual basis. Table I provides a list of three hospitals that have experienced losses in the last three years.

TABLE I
IDENTIFICATION OF ACUTE CARE HOSPITALS
WITH THREE YEARS OF NEGATIVE TOTAL MARGINS⁷

* * * ANNUAL MARGIN * * * *				
NAME OF HOSPITAL	CITY	2002	2003	2004
Dukes Memorial Hospital	Peru	(\$1,193,707)	(\$3,577,068)	<u>(\$860,715)</u>
St Mary's Warrick	Boonville	(\$922,719)	(\$43,624)	<u>(\$1,463,098)</u>
St Vincent Mercy Hospital	Elwood	(\$255,089)	(\$339,915)	<u>(\$2,712,886)</u>

Click on 2004 Hospital value to access individual report.

* Data in millions (\$000,000)

III. Assessing Financial Health of Hospitals

Table J shows 12 performance indicators selected, analyzed and posted by ISDH staff with each 2004 fiscal report⁸. These indicators are key financial and operating indicators needed to compare hospitals of similar size. This table shows the indicators and the average values for larger hospitals in fiscal year 2003 and 2004.

Each hospital fiscal report will compare each hospital's values to similar-sized hospitals in its peer group: small, medium, large, and specialized.

TABLE J

**ISDH PERFORMANCE INDICATORS USED IN EACH HOSPITAL REPORT AND THE AVERAGE
VALUE SUBMITTED BY LARGE HOSPITALS in INDIANA⁸**

Range of Values

<i>PERFORMANCE INDICATOR</i>	<i>METHODOLOGY</i>	<i>AVERAGE 2003</i>	<i>AVERAGE 2004</i>
1. # of FTE's	<i>Number of Full Time Equivalents</i>	2,212	2,262
2. % of Salary	<i>Salary Expenses divided by Total Expenses</i>	37.8%	36.6%
3. Average Daily Census	<i>Patient Days divided by annual days (365 days)</i>	237.6	251.5
4. Average Length of Stay	<i>Number of Patient Days divided by the Number of Discharges</i>	5.1	5.1
5. Price of Medical/Surgical care per stay	<i>Total Medical/Surgical charges divided by the Medical/Surgical discharges</i>	\$3,042	\$3,873
6. Gross Price per Discharge	<i>Gross Inpatient Revenue divided by the Total Discharges</i>	\$17,323	\$19,901
7. Outpatient Revenue Percentage	<i>Outpatient Revenue divided by the Gross Total Revenue</i>	40.9%	41.1%
8. Gross Price per Visit	<i>Gross Outpatient Revenue divided by the Total Outpatient Visits</i>	\$1,022	\$1,295
9. % of Medicare	<i>Medicare Revenue divided by the Gross Patient Revenue</i>	39.5%	40.6%
10. % of Bad Debt	<i>Bad Debt Expense divided by the Gross Operating Expenses</i>	4.5%	4.3%
11. Charity Allocation	<i>Unreimbursed costs of providing services to patients under adopted charity policy</i>	(\$10,021,313)	(\$5,489,682)
12. Net Margin	<i>Excess of Revenue over Expenses divided by the Total Operating Revenue</i>	4.3	5.9

FOOTNOTES

1. Definitions of terms in Table A were abstracted from Indiana law and definitions from the Year 2004 Hospital Statistics from the American Hospital Association.
2. Majority of numbers shown in this statewide summary are shown in hundred thousands for ease of reading. Accordingly, the total gross patient revenue of 132 hospitals is \$23.0 billion dollars or \$23,028,777,047 in fiscal year 2004.
3. Data shown in this summary and in the individual hospital reports are in a unique electronic format designed to satisfy Indiana law (Indiana Code 16-21-6-3). Statistics reflect the costs for the hospital only. These reports are displayed with no editing by ISDH staff. This information represents all acute care hospitals licensed under IC 16-21-1. The reports do not include psychiatric hospitals licensed under IC 12-25.

Each hospital has submitted information on a secure web site. Indiana hospital Chief Financial Officers, interested in further information on reporting, should contact ISDH staff.

Citizens may also request ISDH staff to create paper copies of the audited financial statement and Medicare Cost Reports. Both reports are on file for each acute care hospital and retained for three years in a paper format at the ISDH. Both reports reflect the total costs of the larger filing corporation.

It is estimated that statistics in Table B represent roughly 98 percent of the revenue and expenses for all hospitals in Indiana. One should note that not all hospitals filed in any one fiscal year. These reports contain three reports from FY 2003 and one report for FY 2005.

4. Table C displays the key financial indicators for hospitals in four categories: small, medium, large, and specialized hospitals. One will note that the revenue for the larger hospitals represent 59.0 percent of all revenue, but only 18.0 percent of the total number of hospitals.

Table C represents the gross inpatient revenue per discharge. The statistic is derived by dividing the gross inpatient revenue by the number of discharges. In comparison, according to a national publication, the statewide average for 2004 of \$11,340 can be compared to average equivalent revenue per discharge of \$10,656 in the East North Central United States. (Source: W Cleverley, PhD. Almanac of Hospital Financial and Operating Indicators, 2006 [hence Almanac]).

5. Table D presents the amount of outpatient revenue in fiscal year 2004. In 2004, the percent of outpatient revenue was 46.1%. That can be compared to an average outpatient percentage of 51.75% for the East North Central United States.

6. Figure 2 displays the key financial indicators by hospital type. The definition of those hospital types are displayed below:

Critical Access Hospital (CAHs) are small, rural community hospitals that receive cost-based reimbursement. To be designated a CAH, a rural hospital must meet defined criteria that are outlined in the Conditions of Participation (42 CFR 485) and subsequent legislative refinements to the program through the BBRA, BIPA, and Medicare Modernization Act.

Long Term Hospitals have an average patient length of stay of greater than 25 days.

Rehabilitation Hospitals provide medical, health-related social and/or vocational services to disabled individuals to help them attain their maximum functional capacity.

General or Short-Term Hospitals have an average patient length of stay of 25 days or less.

7. In Table I, there is a presentation of three hospitals that have experienced losses during the last three years.
8. Table J presents key financial and operating indicators needed to compare hospitals of similar size. The table shows the average values for larger hospitals in Indiana in 2004. Utilization and charge statistics were not adjusted for severity, case mix, and any of a variety of other factors that could affect comparisons among facilities. All interpretations of actual data and all comparisons of one facility to another should be made with caution.

Table J also presents the total margins in fiscal year 2004. The statistic is derived by dividing the total patient service revenue by the total net gain or loss of the hospital. According to the Almanac, the statewide average of 4.3 can be compared to average total margins of 3.1 for the East North Central United States.